

SUBCOMMITTEE NO. 3

Agenda

Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Mark Wyland



Agenda – Part B

Friday, May 23, 2008
10:00 am
Room 4203
(Consultant: Bryan Ehlers)

Discussion Agenda

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7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Paid Family Leave Program, and assists job seekers by providing employment and training programs under the federal Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

The Governor's Budget begins by funding 9,039.4 positions (including 197.4 new positions) and budget expenditures of \$11.7 billion for the department, but then includes a 10-percent, across-the-board General Fund (GF) reduction (Budget-Balancing Reduction—BBR) of \$246,000 and 2.3 positions. Taking into account the proposed BBRs, the Governor's Budget provides approximately \$421 million more in FY 2008-09 compared to adjusted-FY 2007-08 totals (occurring almost entirely in the Unemployment Compensation Disability Fund and the Unemployment Fund), and \$5.5 million less GF.

VOTE-ONLY ITEM:

Vote-Only Item: May Revise Letter: Program Benefit Adjustments

Every May, EDD provides a revised budget request to adjust funding for the new estimates of claims and payments for the Unemployment Insurance (UI) Program, the Disability Insurance (DI) Program, and the School Employees Fund. The following changes are requested this year:

- **Unemployment Insurance Program and Benefit Adjustments**—It is requested that the budget be increased by \$754.7 million to reflect a projected increase in UI benefit payments. Conversely, due to recent implementation of a new allocation methodology by the federal government, it is requested that the budget be decreased by \$39.7 million and 453.3 personnel years (PYs) (including \$10.7 million and 100.9 PYs for the California Unemployment Insurance Appeals Board—CUIAB) to reflect a revised estimate of available federal funding.
- **Disability Insurance Program and Benefit Adjustments**—It is requested that the budget be increased by \$3.3 million and 50.9 PYs (including reductions of \$243,000 and 2.3 PYs for the CUIAB) to reflect revised workload estimates for the Disability Insurance (DI) Program. It is also requested that the budget be increased by \$441.5 million to reflect a projected increase in DI-benefit payments.
- **School Employees Fund Adjustments**—It is requested that the budget be increased by \$79.2 million to reflect a projected increase in benefit payments from the School Employees Fund.

Staff Comment: None of these changes directly affects the GF (although, as discussed in Discussion Item 1 below, the GF would be affected if the UI Program needs to be backfilled from the Contingent Fund). Strictly speaking, all costs in these areas are funded by employer and employee taxes. If estimates of benefit payments turn out to

be too low, budget bill language allows for upward revision of the appropriations with approval of the Director of Finance and notification to the Legislature. If estimates of benefit payments turn out to be too high, the January 2009 Governor's Budget will include proposed reductions to 2008-09 expenditures.

Staff Recommendation: APPROVE the May Finance Letter to update the budget for revised estimates of benefit claims and payments.

VOTE:

DISCUSSION ITEMS:

EDD Item 1: May Revise Letter: Unemployment Insurance Program Administration—Partially Backfill Federal Funding Shortfall
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The Governor requests an increase of 104.9 temporary help PYs and \$8.4 million (\$5.3 Contingent Fund and \$3.1 federal Reed Act funds) to partially backfill a shortfall of federal Unemployment Administration funding.

Staff Comment: As previously noted, the amount of UI benefits paid out is anticipated to increase significantly in fiscal year (FY) 2008-09, while the availability of federal funding for UI administration is projected to continue to decrease—the federal government has stated that it will only fund 32 percent of the increase in the states' workload. While California, along with other states, is working with the federal government to improve the allocation methodology and obtain additional federal administration funding, this proposal would backfill \$8.5 million (or 21.4 percent) of the \$39.7 million shortfall (acknowledged in the Vote-Only Item).

According to the EDD, under the best case scenario, the department would be able to maintain current levels of service through the first quarter of the year—levels which meet many claimants needs, but prompted a recent Los Angeles Times article on claimants being disconnected from the program's 1-800 number because the system was overwhelmed with calls. In October, when unemployment claims begin to peak (as most outdoor seasonal workers are forced indoors), the program could face a workload crunch resulting in greatly diminished service levels unless the federal government decides to provide increased funding to the program in the new federal budget (the federal fiscal year begins October 1). Staff notes that while the Administration hopes to receive additional federal dollars and is actively lobbying Congress for an increase to UI funding, there is still the potential that Congress could ultimately approve a reduction to the current (inadequate) level.

While UI is a federal program, California residents would ultimately bear the brunt if UI service levels result in the slower processing of claims and issuance of benefit checks. Given the possibility, if not the likelihood, that without additional federal funds the proposed level of funding would result in an adverse impact to the state's unemployed, the Subcommittee may wish to approve provisional language making an additional Contingent Fund appropriation contingent upon failure to receive increased federal funding. Staff notes that, because any remaining Contingent Fund balance is swept to the GF at the end of the fiscal year, this proposal could result in a decrease to the GF

reserve of up to \$23.8 million if all of the anticipated Contingent Fund balance needs to be tapped.

Staff Recommendation: APPROVE the request with placeholder provisional language (as described above).

VOTE:

EDD Item 2: May Revise Letter: Workforce Investment Act (WIA) Adjustments—Discretionary Funds
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The Governor requests increases of: (1) \$15.0 million in state operations; and (2) \$33.7 million in local assistance to reflect a projected increase for the Consolidated Workers Program under WIA. This proposal includes an additional \$7.3 million in WIA discretionary funds.

Staff Comment: In its *Analysis of the 2008-09 Budget Bill*, the LAO noted that, relative to the current year, the Governor's Budget reallocated WIA discretionary funds, opting to reduce funding in some areas, like parolee services, in order to provide funding in other areas, like the pre-apprenticeship Governor's pilot projects and regional collaboratives. As discussed at a previous hearing, the LAO recommended redirecting these resources back to parolee services because of the demonstrated value of the parolee employment programs in reducing recidivism for parolees, and because doing so would create an equivalent level of GF savings. Consistent with this recommendation, the LAO offers the comments below on the Governor's May Revise proposal.

LAO Analysis and Recommendation: *The state's federal allocation for WIA discretionary funds has increased by \$7.3 million, as shown in Figure 1. The updated proposed expenditure plan increases administration and program services by \$1.3 million and the nurses/healthcare/logistics program by \$2 million. The administration proposes to eliminate funding for regional collaboratives (decrease of \$1.5 million), but has added two new initiatives that total \$6.3 million—\$4.3 million for economic stimulus and \$2 million for green technology.*

Figure 1
Workforce Investment Act (WIA)
State Discretionary Funds
2008-09 Proposed Expenditures
(In Millions)

Budget Bill Schedule/Category	2008-09 Governor's Budget	2008-09 May Revision	Change
(1) WIA Administration and Program Services	\$24.0	\$25.3	\$1.3
(2) Growth Industries			
Community colleges WIA coordination	\$0.6	\$0.6	-
Regional collaboratives	\$1.2	-	-\$1.2
Incentive grants	\$0.2	\$0.2	-
At-risk/youthful offender gang prevention	\$3.0	\$3.0	-
Economic stimulus	-	\$3.1	\$3.1
Green Technology	-	\$2.0	\$2.0
Subtotals	\$5.0	\$8.9	\$3.9
(3) Industries With a Statewide Need			
Nurse education initiative	\$6.2	\$6.2	-
Regional collaboratives	\$0.3	-	-\$0.3
Nurses/healthcare/construction/logistics	\$3.1	\$5.1	\$2.0
At-risk/youthful offender gang prevention	\$3.0	\$3.0	-
Pre-apprenticeship - Governor's pilot projects	\$2.4	\$2.4	-
Economic stimulus	-	\$1.2	\$1.2
Subtotals	\$15.0	\$17.9	\$2.9
(4) Removing Barriers for Special Needs Populations			
Parolee services	\$2.3	\$2.3	-
Incentive grants	\$1.3	\$0.5	-\$0.8
Services to long-term unemployed	\$0.1	\$0.1	-
Governor's award for veteran's grants	\$3.0	\$3.0	-
Veterans/disabled veterans' employment services	\$0.7	\$0.7	-
Department of Education WIA coordination	\$0.4	\$0.4	-
Youth grants	\$0.5	\$0.5	-
At-risk/youthful offender gang prevention	\$4.0	\$4.0	-
Low wage earners	\$0.4	\$0.4	-
Subtotals	\$12.7	\$11.9	-\$0.8
Total Proposed Expenditures	\$56.7	\$64.0	\$7.3

Given the current fiscal climate, we believe WIA funds should be directed, when possible, to relieve General Fund support for employment programs, rather than fund newer, unproven initiatives. In the 2008-09 Analysis, we recommended that \$2.4 million of WIA funds proposed for the pre-apprenticeship projects be redirected to the parolee employment programs in CDCR (Item 5225). Given the additional WIA funding available, without prejudice to the WIA discretionary programs, our revised recommendation is to redirect a total of \$7.3 million in WIA funds to the CDCR parolee programs. This redirection would result in a total General Fund savings of \$7.3 million in CDCR. As for the remaining WIA funds, we recommend the Legislature review the administration's proposed expenditure plan to ensure that it is consistent with legislative priorities.

For the reasons stated, the Subcommittee may wish to adopt the LAO recommendation.

Staff Recommendation: APPROVE the Governor's May Revise request except for the revisions recommended by the LAO. Score \$7.3 million in GF savings.

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California; improve working conditions; and advance opportunities for profitable employment. The DIR enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims; works to prevent industrial injuries and deaths; promulgates and enforces laws relating to wages, hours, and conditions of employment; promotes apprenticeship and other on-the-job training; assists in negotiations with parties in dispute when a work stoppage is threatened; and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor's Budget begins by funding 2,880.7 positions (including 36.3 new positions) and budget expenditures of \$393.1 million for the department, but then includes a 10-percent, across-the-board General Fund (GF) reduction (Budget-Balancing Reduction—BBR) of \$1.3 million and 9.4 positions. Taking into account the proposed BBRs, the Governor's Budget provides approximately \$6.8 million more in FY 2008-09 compared to adjusted-FY 2007-08 totals, including \$549,000 less GF.

VOTE-ONLY ITEMS:

Vote-Only Item 1: BCP-12—Statewide Facilities—Additional Space for District Offices

The DIR requests \$875,000 (WCARF) in FY 2008-09 and approximately \$1.5 million and \$1.7 million in FYs 2009-10 and 2010-11, respectively, to support costs associated with additional space in the Los Angeles, Riverside, and Santa Ana district offices, the relocation of the Grover Beach district office as well as adjustments to the Statewide Facilities schedule.

Staff Comment: This request was discussed and denied at a previous hearing, but the Chair offered reconsideration if the DIR could provide additional information demonstrating that the proposed funding was necessary to address health and safety concerns, or would result in offsetting revenues or savings. Based on additional, clarifying information submitted to the Subcommittee, staff no longer has concerns with the requested resources.

Staff Recommendation: Upon reconsideration, APPROVE the request.

Vote-Only Item 2: BBR—Reduce Division of Occupational Safety and Health Staff

The Governor proposes a 10-percent GF reduction of 2.0 positions and \$222,000 to the EDD's Division of Occupational Safety and Health (DOSH). The reduction would result in: (1) the elimination of 1.0 Hearing Officer position at the Occupational Safety and Health Appeals Board (OSHAB), whose responsibility it is to handle appeals from private and public-sector employers regarding citations issued by the DOSH for alleged violation of workplace safety and health laws; and (2) the elimination of 1.0 Staff Services

Manager (SSM I) position at the Occupational Safety and Health Standards Board (OSHSB), whose responsibility it is to ensure a safe and healthful workplace for California workers by promoting, adopting, and maintaining reasonable and enforceable standards, as well as by granting or denying applications for variances from adopted standards and responding to petitions for new or revised standards.

Staff Comment: The DIR indicates the reduction to the OSHSB would result in over 1,000 fewer appeals heard by the board (there are currently 3,000 cases backlogged) and would increase the potential of federal complaint filing due to failure to process cases in a timely manner. According to the DIR, a federal complaint (alleging, for example, that the state takes 16 months to process appeals compared to the Federal OSHA standard of 10 months) could result in the state losing the right to implement its own OSHA plan and in being required to institute the federal program instead.

Staff additionally notes that each appeal represents an alleged violation and a potential amount due and payable to the GF—the current backlog is estimated at approximately \$1.9 million. Thus, this reduction would further delay penalty collections due to the GF.

The DIR indicates that the reduction to the OSHSB would result in delays in the rule-making process and the board's ability to respond to petitioners and applicants.

Staff Recommendation: APPROVE the reduction.

Vote-Only Item 3: BCP-9—Redirect Rehabilitation Unit Personnel to New Return-to-Work Unit with TBL

The DIR requests redirection and reclassification of 22.0 existing positions within its current Rehabilitation Unit to the newly-created Return-to-Work Unit in order to support the administrative workload associated with Chapter 6, Statutes of 2002 (AB 749) relative to Return-to-Work (RTW) and Chapter 34, Statutes of 2004 (SB 899) regarding the Supplemental Job Displacement Benefit. The DIR also proposes trailer bill language (TBL) to extend the sunset on the RTW.

Staff Comment: This issue was discussed previously and held open for additional review. Based on additional conversations with the department, staff is now more comfortable recommending approval of these positions, but the Subcommittee may wish to adopt placeholder Supplemental Report Language (SRL) requiring the DIR to report on the RTW workload over the next several years in order to verify whether the projections on which this request is based actually materializes. Additionally, staff recommends approving the proposed TBL to extend for one year the program sunset in order to allow the department to complete the required study. The Legislature would have the opportunity again next year to determine whether the program should be approved on an ongoing basis based on information contained in both the study and the SRL.

Staff Recommendation: APPROVE the requested funding, the proposed TBL, and placeholder SRL (as described above).

Vote on the Staff Recommendation for Vote-Only Items 1 through 4:

DISCUSSION ITEMS:

DIR Item 1: BCP-8—Security Upgrades for District Offices

The DIR requests one-time augmentations of \$386,000 (Workers' Compensation Administration Revolving Fund—WCARF) in FY 2008-09 and \$557,000 (WCARF) in FY 2009-10 to support the installation of safety-related components to improve and make more consistent the security standard for the Division of Workers' Compensation's (DWC) 24 district offices.

Staff Comment: This item was discussed previously and held open due to concerns over the fact that the DIR has chosen to selectively implement at its DWC facilities various security recommendations made by the CHP. Based on additional information provided by the department, staff has no doubts that the requested funding would support the implementation of judicious and justifiable security precautions. However, staff notes that the DIR needs to continue to work with the DGS (the building owner and operator at several of these facilities) to evaluate whether implementation of additional CHP recommendations is feasible. Additionally, staff notes concern that the CHP has not historically provided departments technical assistance in prioritizing which of its recommendations to implement when a phased approach is necessary for budgetary or other reasons. The Legislature and the Administration may wish to address this issue more formally at a future time in order to mitigate the potential that departments will implement CHP security recommendations in an ad hoc fashion that is cost-ineffective.

Staff Recommendation: APPROVE the request.

VOTE:

**DIR Item 2: DIR BCP-17—Implement Amusement Ride Safety Law
Revisions—SB 783**

The DIR requests 2.6 positions and \$311,000 (Elevator Safety Account) to implement the new provisions of Chapter 478, Statutes of 2007 (SB 783).

Staff Comment: Among other things, SB 783 expanded the types of accidents that owners and operators of non-permanent or portable amusement rides must report to the Division of Occupational Safety and Health (DOSH), and required the DOSH to enforce the statutory and regulatory provisions pertaining to portable amusement rides by issuance of citations and civil penalties. The DIR indicates 2.0 positions would work to implement the new provisions, while 0.6 positions would be under the Occupational Safety and Health Appeals Board to manage the estimated increase in the number of appeal cases.

The Department of Finance has raised concern with the condition of the fund balance that would support the proposed activities, but has indicated that the proposed activities ought to be supportable in the coming year while the Administration and legislative staff

determine how to address the fund condition. Staff notes that a recent accident in the amusement park industry highlights the need for the additional proposed oversight.

Staff Recommendation: APPROVE the request.

VOTE:

DIR Item 3: Staff Issue—Electronic Adjudication Management Systems (EAMS)
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The EAMS is a computer-based, workers' compensation case management project currently under development by the DIR and intended to convert the Workers' Compensation Appeals Board (WCAB) to paperless processes. The stated goal of the EAMS project is to eliminate redundancy, create efficiency and make the workers' compensation case management system more accessible to users, while preserving confidentiality.

Staff Comment: This issue was discussed previously, and the Subcommittee heard stakeholders in the workers' compensation arena raise concerns about the impending EAMS roll-out (see the committee's April 7, 2008 agenda for more detail). At that time, the Chair requested the Administration to provide additional information on how the DIR planned to provide adequate access for all EAMS users. Based on information provided, the Subcommittee may wish to adopt the provisional language below in order to provide the DIR with the budgetary flexibility to address potential problems should they arise during implementation of the EAMS project. Staff notes that this language would also serve as an expression of the Legislature's intent that the DIR, and the EAMS project manager, respond to stakeholder concerns and ensure that this system works for all involved.

Provisions:

X. Notwithstanding any other provision of law, upon approval of the Director of Finance with concurrence of the State Chief Information Officer, the Director of Finance may augment this item. Any augmentation shall not exceed 10 percent of the total project costs as identified in the latest Special Project Report approved by the State Chief Information Officer. These funds may only be used for the purchase of licenses, additional equipment or other expenditures necessary to increase and improve access to the workers' compensation Electronic Adjudication Management System." Standard 30 day Legislative notice language should also be included.

Staff Recommendation: APPROVE provisional language (above).

VOTE:

8950 Department of Veterans Affairs

The California Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) to afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) to provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy (Ventura County), Fresno, and Redding.

The Governor's 2008-09 Proposals

The Governor's Budget begins by funding 1,896.5 positions (including 238.6 new positions) and budget expenditures of \$381 million for the department, but then includes a 10 percent, across-the-board General Fund (GF) reduction (Budget-Balancing Reduction–BBR) of \$19.4 million and 118.5 positions.

VOTE-ONLY AGENDA:

Vote-Only Item 1: May Revise Letter – Changes to Operating Expenses and Equipment (OE&E) Costs for Eight BCPs

The CDVA requests a decrease of \$855,000 GF to reflect standardized OE&E costs for eight workload BCPs included in the Governor's Budget.

Staff Comments: The need for revisions to the CDVA OE&E cost calculator was discussed on March 10, 2008; however, the Subcommittee took subsequent action on multiple CDVA items acknowledging that adjustments would need to be made in the final funding levels to reflect changes to the calculator. The table below displays the items affected by the OE&E adjustments and indicates the status of each:

BCP #	Description	Original OE&E Request	Reduction	Final Proposed OE&E Total	Subcommittee Status
2	GLAVC Start Up	\$2,063,000	\$52,000	\$2,011,000	Approved
5	Fiscal Operations	\$232,000	\$66,000	\$166,000	Approved in part
10	Capital Assets, Facilities Mgt, Construction	\$1,538,000	\$162,000	\$1,376,000	Approved in part
12	Minimum Data Set and Standards Compliance Staff	\$71,000	\$18,000	\$53,000	Approved
13	Voc Nursing Staff for RCFE	\$35,000	\$6,000	\$29,000	Denied
16	Nursing Staff (Barstow)	\$616,000	\$114,000	\$502,000	Pending (see Vote-Only Items 4 and 5)
17	Pharmacy Staff (CV)	\$43,000	\$10,000	\$33,000	Approved
25	Alzheimer's Unit & Ward 1A/1B OE&E Increase	\$992,000	\$427,000	\$565,000	Approved

The OE&E calculations above are consistent with feedback provided by legislative staff to the department; however, staff reserve the right to re-examine this issue in the future.

Staff Recommendation: APPROVE the requested OE&E adjustments for all positions previously approved or pending. (This action would conform to the outcomes previously recorded on these items.)

Vote-Only Item 2: BCP-14 – The Pathway Home Program (Y)

The CDVA requests \$600,000 in reimbursement authority for three years to host a privately funded pilot program for returning disabled veterans at Yountville.

Staff Comments: This item was discussed at a previous hearing and held open pending receipt of a Finance Letter reflecting the final agreement between the home and The Pathway Home, LLC. The Finance Letter is discussed below in Vote-Only Item 2.

Staff Recommendation: APPROVE the request in anticipation of approving the related reduction in Vote-Only Item 3 (below).

Vote-Only Item 3: May Revise Letter – The Pathway Home Program (Y)

The CDVA requests a reduction of \$370,000 to the original BCP request of \$600,000 (see Vote-Only Item 1 above), for a net of \$230,000 per year to be offset by reimbursements from the Tides Foundation (Iraq-Afghanistan Deployment Impact Fund).

Staff Comments: Based on the final operating agreement, the CDVA would provide laundry and food services (with costs to be reimbursed by the program) for approximately 30 residents at a time and three family members per resident for an average of four days per month. Additionally, Yountville would provide the program free rent in exchange for the services provided to veterans in the community.

Staff Recommendation: APPROVE the request.

Vote-Only Item 4: BCP-16 – Skilled Nursing Facility Staff-to-Patient Ratios (CV)

The CDVA requests \$3.5 million GF and 38.0 positions to implement staffing ratios set forth in emergency draft regulations recently issued by the California Department of Public Health (CDPH).

Staff Comments: This item was discussed at a previous hearing and held open pending a corrective proposal from the Administration to address miscalculations in the workload justification. Because the Governor put forth an entirely new proposal in the May Revise (see Vote-Only Item 5 below), the Subcommittee should deny this request and focus only on that item.

Staff Recommendation: DENY the request.

Vote-Only Item 5: May Revise Letter – Skilled Nursing Facility Staff-to-Patient Ratios (CV)

The CDVA requests \$1.9 million GF and 24.5 positions to implement staffing ratios set forth in emergency draft regulations recently issued by the California Department of Public Health (CDPH).

Staff Comments: Staff-to-patient ratios were legislated in 2001 as part of AB 1075, but delay in implementing the statute led to a lawsuit against CDPH by a consumer-advocate organization. In settling the suit, the CDPH agreed to implement emergency regulations, with a formula for calculating appropriate ratios, contingent upon a budget allocation in the annual budget or other statute. The Legislature subsequently authorized the CDPH to adopt emergency regulations to implement the provisions of AB 1075, and the CDPH issued draft regulations on October 16, 2007.

The positions requested appear justified based on the staff-to-patient ratios required in regulation.

Staff Recommendation: APPROVE the request.

Vote-Only Item 6: May Revise Letter – Homeland Security Grant

The CDVA requests \$429,000 in reimbursement authority to expend funds remaining from a grant provided by the Office of Homeland Security. The CDVA received expenditure authority via Control Section 28.50 to begin using the grant dollars in FY 2007-08. This request is to authorize the expenditure of the remaining funds in FY 2008-09.

Staff Comments: Staff has no concerns with this request, which would provide \$305,000 to complete security upgrades at CDVA Headquarters and \$124,000 for catastrophic planning and disaster preparedness at the Veterans Home of California—Barstow.

Staff Recommendation: APPROVE the request.

Vote-Only Item 7: Technical Correction – *Plata* Salary Adjustments (Republican Fiscal Issue)

The Department of Finance has informed committee staff that the CDVA is over-budgeted by \$341,000 GF.

Staff Comments: The 2007-08 Budget Act included \$18.4 million GF to increase salaries for non-California Department of Corrections and Rehabilitation (CDCR) employees in classes impacted by the *Plata* court case to within 10 percent of CDCR salaries. When the Department of Personnel Administration (DPA) calculated the non-CDCR *Plata* salary adjustments, the DPA over-funded the DVA and under-funded the Department of Developmental Services (DDS) by \$341,000. Through an Executive Order, the CDVA transferred the \$341,000 to the DDS for budget-year 2007-08. However, in developing the 2008-09 Governor's Budget, the \$341,000 was inadvertently provided to both the DDS and the CDVA. As such, the CDVA is over-funded by \$341,000 GF.

Staff Recommendation: Approve a \$341,000 GF-reduction to eliminate over-funding in the CDVA budget.

VOTE on the Staff Recommendation for Vote-Only Items 1 through 7:

DISCUSSION AGENDA:

CDVA Item: Staff Issue—Estimate Package Trailer Bill Language (TBL)

Based on the rapid growth of the CDVA, and past budgetary difficulties, legislative staff have developed Budget TBL (see below) that would require the CDVA to develop an estimate package each year as part of the budget process. This language is consistent with similar language that has been proposed and/or approved for other health-related

caseload-driven budgets, for example, the State Hospitals under the Department of Mental Health.

Staff Comment: The intent of implementing this language would be to provide both the CDVA and legislative staff with a firm, and longitudinally consistent, analytical basis for determining the level of resources required by the veterans homes. In building its budget, the department must already generate a set of estimates in order to determine the resources required for the upcoming year, so this would not be strictly “new” workload, but, rather, a formalization and rationalization of an existing process. Developed and executed properly, the proposed estimate package would serve as a useful planning document for the CDVA, as well as an effective means of communicating the basis of the department’s budget numbers to the Department of Finance and the Legislature.

As discussed previously in this Subcommittee, the CDVA faces a number of challenges with three new veterans homes opening (a doubling of the current number) and two more to be constructed in the immediate future. Not the least of these challenges is developing an organizational structure with the capacity to handle the increased volume and complexity of planning (be it budgeting, accounting, human resources, or capital management) that differentiates larger agencies from smaller ones. To its credit, the department has recognized this challenge, restructured where necessary, and requested the staff and funding to support the new structures. This proposal seeks to complement these department-initiated structural changes by helping to standardize certain budgeting procedures.

Although the department has been in a nearly constant state of flux over the past several years, with the aforementioned addition of new homes as well as significant turnover in staffing (particularly in Administration), legislative staff believes that it may be many years before there is a better time than the present to institute this language. All organizations develop standard operating procedures, whether by design and forethought or by accident and happenstance, and these procedures, like habits, generally become more resistant to change over time and with repetition. Therefore, to the extent that the Legislature views procedural reform as necessary and beneficial to the CDVA budget process, that change is easier to implement now than it will be in the future.

Finally, legislative staff view the implementation of the proposed TBL as an iterative process that may (and likely will) take several years to refine. Accordingly, the Legislature expects to work collaboratively with the CDVA and the Department of Finance to clarify (and possibly modify) expectations to ensure that developing the proposed estimate package is workable. With this in mind, the TBL is largely descriptive (rather than prescriptive), and is, to some extent, subject to be interpreted in a fashion that reflects the consensus of both Administration and legislative staff.

Staff Recommendation: APPROVE the “Estimate Package” TBL (below) as placeholder for final language to be agreed to by legislative staff with input from the Administration.

Estimate Package TBL

The Department of Veterans Affairs shall provide the fiscal committees of the Legislature with a fiscal estimate package for the current-year and budget-year for the State Veterans Homes by January 10 and at the time of the Governor's May Revision commencing as of January 10, 2009 and ongoing thereafter.

At a minimum, this estimate package shall, by veteran home, address (1) patient caseload by level-of-care, (2) staffing needs, both Non-Level-Of-Care and Level-of-Care, and (3) operating expenses and equipment, including, but not limited to, those areas outlined in the November 2007 Department of Finance audit. Each submitted estimate shall articulate the assumptions and methodologies used for calculating the patient caseload factors, all staffing costs, and operating expenses and equipment. Where applicable, individual policy changes shall contain a narrative and basis for its proposed and estimated costs. Fiscal bridge charts shall be included to provide the basis for the year-to-year changes. The department may provide any additional information as deemed appropriate to provide a comprehensive fiscal perspective to the Legislature for their analysis and deliberations for purposes of appropriation.

VOTE: